



# A Diversified Energy Portfolio for Ohio

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***This publication is updated quarterly.***

After 2008, the temporary plans that electric companies have been using to establish the prices consumers pay for electricity will expire. So far, Ohio has not adopted a plan for the future and such options as extending the current plans could lead to higher rates, supply uncertainty and price instability. Ohioans deserve an energy future that will keep pace with projected growth in electric usage while paying a price that will stay reasonable.

The Office of the Ohio Consumers' Counsel (OCC) has proposed using a Diversified Energy Portfolio plan that would include a multitude of energy resources to meet the energy needs of Ohio. A Diversified Energy Portfolio is a market-driven alternative that the OCC believes can provide for a sound energy future. It can assure affordable and stable rates for residential customers, provide price certainty for businesses and allow for the construction of new generation while placing a cap on the construction costs.

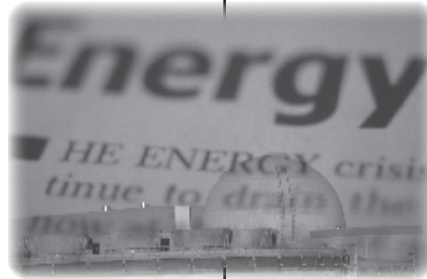
## Reducing risk

This energy proposal works much like a financial investment portfolio where the money invested is put into several different areas to reduce risk and attain the maximum benefits. A mix of traditional, alternative and clean coal energy supplies combined with energy efficiency and weatherization programs would help reduce consumption and spread out Ohio's energy usage. By focusing on the use of several types of energy resources, affordability, reliability and security can be brought to the electric system.

## Planning for the future

The proposal also relies on electric utilities planning for the future. The utilities would annually show the Public Utilities Commission of Ohio how their short- and long-term energy resources would

fit their demand requirements by filing 20-year energy forecast plans. The plans developed by utilities would include a mix of short- and long-term supplies that would be competitively bid to ensure Ohioans are getting the lowest costs. A portion of the supply options would need to include alternative energy and energy efficiency resources. Standards would be developed for the utilities to follow so that the appropriate mix of both would be included in their plans.



## Alternative energy portfolio standard

An alternative energy portfolio standard promotes the use of alternative energy resources – such as wind, biofuels, solar, low-impact hydro, geothermal energy and biomass – as a percentage of the total electricity sold to customers. This type of requirement, called an alternative energy portfolio standard, would be used to promote competition, efficiency and technological breakthroughs that can make renewable energy more affordable. The standard also provides several benefits to the environment and society by increasing the diversity of fuel sources, reducing price volatility, reducing the environmental impacts of generating electricity and bringing jobs and economic development to Ohio.

The OCC believes that electricity generated from alternative energy resources can reach a goal of 20 percent in 10 years. The target would begin with a 2 percent mandate for the first year and could increase equally by 2 percent each year. Additionally, the alternative energy could be generated at new facilities and meet environmental standards.

The standard would apply to all entities that sell retail energy. In order to confirm that the standard

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is being followed, a renewable energy credit would be required. This credit provides a record of every megawatt-hour a company is buying, generating and selling as alternative energy for its customers.

To enforce the standard and encourage the development of alternative energy resources, a penalty should be established so it becomes more advantageous for companies to comply with the standard. A \$50 per megawatt-hour penalty is recommended. This also places a cap on the cost of implementing the standard.

## **Energy efficiency resource standard**

Another important component to realizing reliable and affordable energy is to lower customer consumption through energy efficiency. Implementing cost-effective energy efficiency measures offers a huge potential for reducing consumers' electricity bills.

Companies have a disincentive to promote energy efficiency because they would not sell as much electricity and would collect less in distribution charges, so this type of standard is necessary. Additionally, customers may not be aware of energy efficiency programs, available financing options to fund projects or availability of products. Not only would a standard help alleviate these barriers, it also would reduce the risks associated with fossil fuels, improve the overall reliability of the electric system, reduce stress on local transmission and distribution systems and can help a state and region increase their energy independence.

The energy efficiency resource standard is similar to the alternative energy portfolio standard because it also would require companies to prove savings are being achieved from the programs they institute and in which they participate. A \$50 per megawatt-hour penalty also would be recommended to encourage compliance with the standard.

The savings targets would start out low and increase incrementally over 10 years. For example, in the first year, electric companies would have to produce savings equal to 0.3 percent of their sales. Additional savings would be sought each year until a total of 8.2 percent in savings of an electric company's total sales to customers is produced in the 10th year.

This long-term solution is an option the OCC believes can take Ohio's energy future well into the 21st century. As policymakers from around the state begin to examine Ohio's energy options, strong consideration should be given to a diversified portfolio of energy options and the many positive benefits it can provide to this state and its citizens.

## **Who can help?**

For more information on diversified energy or ways you can take control of your energy usage, contact the OCC toll free at 1-877-PICKOCC (1-877-742-5622) or visit [www.pickocc.org](http://www.pickocc.org).

The Office of the Ohio Consumers' Counsel (OCC), the residential utility consumer advocate, represents the interests of 4.5 million households in proceedings before state and federal regulators and in the courts. The state agency also educates consumers about electric, natural gas, telephone and water issues and resolves complaints from individuals. To receive utility information, brochures, schedule a presentation or file a utility complaint, residential consumers may call 1-877-PICKOCC (1-877-742-5622) toll free in Ohio or visit the OCC website at [www.pickocc.org](http://www.pickocc.org).

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**For additional information from the Office of the Ohio Consumers' Counsel:**

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